FHA Connection Corrected Formula Edit and Refund of MIP Late Charges and Interest Instructions

The Federal Housing Administration (FHA) has become aware of a formula error in FHA Connection (FHAC) that may have prevented mortgagees from accurately completing the FHA Connection Appraisal Logging and HECM Insurance Application screens, preventing mortgagees from completing Loan Setup in a timely manner. The formula error in FHAC created an inconsistency with the calculation in the Home Equity Reverse Mortgage Information Technology (HERMIT) system and caused an insuring backlog for a small population of affected loans.

Effective November 9, 2015, FHA Connection will begin using a corrected formula to determine the Initial Disbursement Limit in accordance with the requirements of Mortgagee Letter 2014-21. The corrected formula in FHAC will ensure equivalent calculations based on the Mortgagee Letter 2014-21 in both FHAC and HERMIT.

Mortgagees should logon to FHAC and complete the Appraisal Logging and HECM Insurance Application screens. For HECMs that closed prior to November 9, 2015, with a case number assignment date of April 27, 2015 or later, and where a mortgagee was unable to complete the FHA Connection Appraisal Logging and HECM Insurance Application screens prior to this system change solely because of this formula error, mortgagees may request a refund of MIP Late Charges and Interest when performing Loan Setup in the HERMIT system. Refunds will be granted where the mortgagee has represented that the delay in set-up was caused solely by the formula error.

To request a refund of MIP Late Charges and Interest, logon to the HERMIT system and complete the following steps:

Step 1: Select the Loan tab.

Step 2: Enter the FHA case number of the loan. Click Search.

Step 3: Click Setup link beside the loan displayed under the Loan Search Results section.

Step 4: The Loan Setup screen is displayed.

Step 5: Enter a closing date under the Loan Dates section (this date must be 15 days prior to the current date for the late charge occurrence or 30 days prior to current date for occurrence of penalty interest) for the Late Charge and Penalty Interest section to be displayed at the bottom of the screen.

Step 6: Select the Refund Request checkbox.

Step 7: In the Refund Comments box, enter "Delay caused solely by FHAC HECM Initial Disbursement Limit Calculation Error."

Step 8: Complete Loan Setup of the case, by entering all other required details. Click Save & Next.

Step 9: The refund request is added on the loan and displayed on the Refunds screen under the Accounting tab with a status of Pending.

Step 10: The HUD SF Premiums Manager will select the loan and process the refund as appropriate.